

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Brandon Township Public Library</u>	County Oakland
Audit Date December 31, 2005	Opinion Date May 3, 2006	Date Accountant Report Submitted To State: June 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address Northwestern Highway P.O. Box 307	City Southfield	State MI	ZIP 48037-0307
Accountant Signature 			

**Brandon Township Public Library
Oakland County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2005**

Brandon Township Public Library

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Independent Auditor's Report

To the Brandon Township Public Library Board
Brandon Township
Oakland County, Michigan

We have audited the accompanying basic financial statements of Brandon Township Public Library as of December 31, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Brandon Township Public Library as of December 31, 2005 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

May 3, 2006

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Brandon Township Public Library

Governmental Fund Balance Sheet/ Statement of Net Assets December 31, 2005

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents (Note 3)	\$ 199,906	\$ -	\$ 199,906
Investments (Note 3)	1,106	-	1,106
Other assets	26,879	-	26,879
Taxes receivable	848,587	-	848,587
Capital assets (Note 4)	-	4,195,495	4,195,495
Total assets	\$ 1,076,478	4,195,495	5,271,973
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 29,134	-	29,134
Deferred revenue	848,587	-	848,587
Accrued liabilities	46,974	-	46,974
Lease payable (Note 9):			
Due within one year	-	180,000	180,000
Due in more than one year	-	3,010,000	3,010,000
Long-term debt and other liabilities (Note 5):			
Due within one year	-	4,386	4,386
Due in more than one year	-	20,521	20,521
Total liabilities	924,695	3,214,907	4,139,602
Fund Balance - Unreserved and undesignated	151,783	(151,783)	
Total fund balance	151,783	(151,783)	-
Total liabilities and fund balance	\$ 1,076,478		
Net Assets			
Invested in capital assets - Net of related debt		1,005,495	1,005,495
Unrestricted		126,876	126,876
Total net assets		\$ -	\$ 1,132,371

Brandon Township Public Library

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/ Statement of Activities Year Ended December 31, 2005

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Property tax	\$ 848,778	\$ 308,135	\$ 1,156,913
Penal fines	19,733	-	19,733
State aid	15,540	-	15,540
Library fines and fees	9,332	-	9,332
Interest on investments	19,002	-	19,002
Other	71,481	-	71,481
Total revenue	983,866	308,135	1,292,001
Expenditures			
Salaries and wages	519,365	-	519,365
Fringe benefits	120,413	2,969	123,382
Supplies	11,894	-	11,894
Professional and contractual services	16,413	-	16,413
Communications	23,577	-	23,577
Insurance	25,172	-	25,172
Utilities	36,081	(1,972)	34,109
Building repair and maintenance	52,037	(40,007)	12,030
Library materials	93,633	(93,633)	-
Depreciation	-	402,569	402,569
Dues, programming, and education	14,279	-	14,279
Bank and payroll service fees	4,122	-	4,122
Automated system	40,347	-	40,347
Interest expense	-	143,135	143,135
Other	77,207	-	77,207
Board expenses	79	-	79
Total expenditures	1,034,619	413,061	1,447,680
Change in Fund Equity/Net Assets	(50,753)	(104,926)	(155,679)
Fund Equity/Net Assets			
Beginning of year	202,536	1,085,514	1,288,050
End of year	<u>\$ 151,783</u>	<u>\$ 980,588</u>	<u>\$ 1,132,371</u>

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note I - Summary of Significant Accounting Policies

Brandon Township Public Library (the "Library") is located in the Charter Township of Brandon, Oakland County, Michigan. The Library is primarily funded through a tax levy, penal fines, and state aid.

Reporting Entity

The Library is governed by an elected six-member board.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units that are to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund).

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, property taxes, charges for services, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Interest earned on investments is recorded on the accrual basis.

The General Fund, the Library's major governmental fund, is the operating fund. It accounts for all financial resources of the Library. General Fund activities are financed by revenue from property taxes, program fees, and other sources.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value based on quoted market prices.

Property Taxes - Properties are assessed as of December 31 and the related property taxes are billed and become a lien on December 1 of the following year. They are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

The 2004 taxable valuation of the Library totaled approximately \$477 million, on which taxes levied consisted of total mills of 1.7870. This resulted in revenue of approximately \$849,000 for operations, net of administrative fees.

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include buildings, improvements, furniture, fixtures, and library materials, are reported in the statement of net assets. Capital assets are defined by the Library as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Furniture and fixtures	5 years
Library materials	10 years

Compensated Absences - It is the Library's policy to permit full-time employees to accumulate earned but unused sick, vacation, and personal day benefits. All compensated absence pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Deferred Revenue - The governmental fund modified accrual basis financial statements and the government-wide full accrual financial statements report deferred revenue in connection with revenue that has not been earned since it relates to advance collection of property taxes, program fees, or grant money for programs, which will be provided subsequent to the end of the current year.

Long-term Obligations - In the statement of net assets, long-term debt and other long-term obligations are reported as liabilities.

Fund Equity - In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from net assets and change in net assets reported in the statement of net assets and the statement of activities. This difference results primarily from the current economic focus of the statement of net assets and the statement of activities versus the current economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets, and the net change in fund balance to the net change in net assets:

Total Fund Equity - Modified Accrual Basis	\$ 151,783
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the fund	4,195,495
Lease payable is not a payable in the current period and is not reported in the funds	(3,190,000)
Long-term liabilities are not due and payable in the current period and are not reported in the fund	<u>(24,907)</u>

Total Net Assets - Full Accrual Basis	<u>\$ 1,132,371</u>
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Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Equity - Modified Accrual Basis \$ (50,753)

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	133,640
Depreciation	(402,569)

The statement of activities column recognizes the property taxes collected in the Township to support the building lease, as well as the interest expense related to the lease	165,000
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Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	(2,969)
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Change in long-term liability related to personal property tax multiplier	<u>1,972</u>
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Change in Net Assets of Governmental Activities - Full Accrual Basis	<u>\$ (155,679)</u>
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Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; local government investment pools; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated 15 banks for the deposit of its funds. The investment policy adopted by the Library in accordance with Public Act 196 of 1997 has authorized investment in all of the investments allowable by the State statutory authority as listed above.

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$53,761 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk of Investments

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds	\$1,106	AAA	S&P

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 4 - Capital Assets

A summary of capital assets is as follows:

	Balance - January 1, 2005	Additions	Deletions	Balance - December 31, 2005
Capital assets not being depreciated - Land	\$ 171,000	\$ -	\$ -	\$ 171,000
Capital assets being depreciated:				
Buildings and improvements	3,716,654	-	-	3,716,654
Furniture and fixtures	843,563	40,007	-	883,570
Library materials	1,601,760	93,633	81,007	1,614,386
Subtotal	6,161,977	133,640	81,007	6,214,610
Accumulated depreciation:				
Buildings and improvements	464,494	92,916	-	557,410
Furniture and fixtures	662,896	144,156	-	807,052
Library materials	741,163	165,497	81,007	825,653
Subtotal	1,868,553	402,569	81,007	2,190,115
Net capital assets being depreciated	4,293,424	(268,929)	-	4,024,495
Net capital assets	<u>\$ 4,464,424</u>	<u>\$ (268,929)</u>	<u>\$ -</u>	<u>\$ 4,195,495</u>

Note 5 - Long-term Debt and Other Liabilities

Long-term debt of the Library consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Personal property taxes contingent liability	\$ 11,500	\$ -	\$ 1,972	\$ 9,528	\$ -
Accumulated employee benefits	12,410	2,969	-	15,379	4,386
Total	<u>\$ 23,910</u>	<u>\$ 2,969</u>	<u>\$ 1,972</u>	<u>\$ 24,907</u>	<u>\$ 4,386</u>

Accumulated employee benefits represent the estimated liability to be paid to Library employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

Personal property taxes represent the estimated liability to be paid to the utility companies that are currently contesting their assessment. In 2005, the Consumers case was settled. However, DTE is still pending.

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 6 - Budget Information

The annual budget is prepared by the Library management and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget includes various budget overruns resulting from unbudgeted expenditures associated with various capital outlay expenditures and accruals incurred during 2005.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget and has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted for the Library activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as prepared by the Library is included in the other required supplemental information of the basic financial statements. The amounts shown on this statement are in greater detail than the budget as adopted and are used to provide additional analysis for management purposes.

Note 7 - Defined Contribution Retirement Plan

The Library provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Library contributes 12 percent of employees' gross earnings and there are no employee contributions. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately. In accordance with these requirements, the Library contributed approximately \$33,000 during the current year.

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Brandon Township Public Library

Notes to Financial Statements December 31, 2005

Note 9 - Lease Payable

The Library building was funded through a bond issued by the Township. The bond is supported by a millage that is being paid by the residents of the Township. The lease payable recorded in the statement of net assets represents the outstanding liability related to the building that is currently being repaid by the Township through the special tax levy.

The lease payments due on the Township's bond, which will be funded by the Township debt millage, is as follows:

2006	\$ 315,845
2007	317,983
2008	319,695
2009	320,983
2010	321,845
2011	322,283
2012	322,175
2013	321,486
2014	325,121
2015	327,925
2016	329,988
2017	331,375
2018	<u>327,200</u>
Total lease payments	4,203,904
Less interest portion	<u>(1,013,904)</u>
Net present value	<u><u>\$ 3,190,000</u></u>

Required Supplemental Information

Brandon Township Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property tax	\$ 843,486	\$ 848,724	\$ 848,778	\$ 54
Penal fines	22,500	21,225	19,733	(1,492)
State aid	15,900	20,700	15,540	(5,160)
Single business tax	500	500	-	(500)
Library fines and fees	10,127	8,702	9,332	630
Interest on investments	27,500	12,500	19,002	6,502
Other	73,050	107,350	71,481	(35,869)
Total revenue	993,063	1,019,701	983,866	(35,835)
Expenditures				
Salaries and wages	527,415	517,234	519,365	(2,131)
Fringe benefits	117,834	117,835	120,413	(2,578)
Supplies	13,990	10,571	11,894	(1,323)
Professional and contractual services	13,240	19,525	16,413	3,112
Communications	22,945	25,245	23,577	1,668
Insurance	32,099	31,820	25,172	6,648
Utilities	37,597	45,537	36,081	9,456
Building repair and maintenance	70,556	98,814	52,037	46,777
Library materials	92,630	87,416	93,633	(6,217)
Dues, programming, and education	16,259	14,400	14,279	121
Bank and payroll service fees	450	707	4,122	(3,415)
Automated system	39,097	41,647	40,347	1,300
Other	8,751	8,750	77,207	(68,457)
Board expenses	200	200	79	121
Total expenditures	993,063	1,019,701	1,034,619	(14,918)
Change in Fund Equity/Net Assets	-	-	(50,753)	<u>\$ (50,753)</u>
Fund Equity/Net Assets				
Beginning of year	202,536	202,536	202,536	
End of year	<u>\$ 202,536</u>	<u>\$ 202,536</u>	<u>\$ 151,783</u>	